

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 2
(MC2013-51)
Negotiated Service Agreement

Docket No. CP2017-224

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE CONCERNING AN
ADDITIONAL GLOBAL RESELLER EXPEDITED PACKAGE 2
NEGOTIATED SERVICE AGREEMENT

(July 31, 2017)

The Public Representative hereby provides comments pursuant to the Commission's Notice of Initiation of this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing a functionally equivalent Global Reseller Expedited Package 2 (GREP 2) negotiated service agreement (Agreement).²

GREP 2 contracts are resellers that market Priority Mail Express International and Priority Mail International, and/or First-Class Package International Service at discounted prices to their customers, especially small- or medium-sized businesses. Notice at 5. Prices offered pursuant to an agreement may differ depending upon the volume or postage commitments made by the mailers. *Id.*

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, July 25, 2017.

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement, July 24, 2017 (Notice).

Prices and classifications not of general applicability for GREP contracts were previously established by Governors' Decision No. 10-1.³ In Order No. 1746, the Commission approved the addition of the GREP 2 product (MC2013-51) to the competitive products list, and designated a GREP 2 contract (CP2013-64) as a baseline agreement within the product.⁴

The Postal Service states that this additional GREP 2 contract is the successor to the GREP 2 contract with the same customer that is the subject of Docket No. CP2016-166, which will expire on July 31, 2017. Notice at 4. The Postal Service filed a motion for temporary relief seeking to extend the expiration date of the Existing Agreement until August 31, 2017.⁵ The extension was approved by the Commission in Order No 4017.⁶ The Postal Service intends the contract to become effective on September 1, 2017. Notice at 4. The term of the contract is 1 year subject to provision for early termination. Attachment 1 at 4.

The Postal Service asserts that the instant GREP 2 contract is functionally equivalent to the baseline agreement for the first GREP 2 product with differences in effective dates and non-substantive changes to language. Notice at 4. The Postal Service therefore requests that the instant GREP 2 contract be included within the GREP 2 product. Notice at 9.

³ Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, Docket Nos. MC2010-21 and CP2010-36, March 29, 2010.

⁴ PRC Order No. 1746, Order Adding Global Reseller Expedited Package Contracts 2 to the Competitive Product List Negotiated Service Agreement, Docket Nos. MC2013-51 and CP2013-64, June 13, 2013.

⁵ Notice of the United States Postal Service of Filing Modification Five to Global Reseller Expedited Package 2 Negotiated Service Agreement, Docket No. CP2016-166, July 25, 2017.

⁶ PRC Order No. 4017, Order Approving Modification Five to Agreement and Denying Moot Motion for Temporary Relief, Docket No. CP2016-166, July 26, 2017.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and supporting financial model filed under seal as part of the Notice. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, it appears that the negotiated prices in the Agreement should generate sufficient revenues to cover costs.

Functional Equivalence. The Postal Service asserts that the Agreement shares similar cost and market characteristics as those of the contract that is the subject of Docket Nos. MC2013-51 and CP2013-64, which serves as the baseline agreement for the GREP 2 product grouping. Notice at 4. However, the Postal Service identifies differences between the Agreement and the GREP 2 baseline agreement. Notice at 6-9. Differences between the Agreement and the GREP 2 baseline agreement are specific to the customer and include revisions to paragraphs, revisions to existing articles, and revisions to Annexes. *Id.*

The Postal Service maintains that these differences do not affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract. Notice at 9. The Public Representative concludes that the Agreement exhibits similar cost and market characteristics to the baseline agreement. Therefore, the Public Representative agrees that the Agreement is functionally equivalent to the baseline agreement and should be added to the GREP 2 product.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

As presented, the Postal Service's financial model does not directly address whether the addition of the Agreement to the GREP 2 product will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the Postal Service's financial model indicates that the negotiated rates in the Agreement will

generate sufficient revenue to cover its attributable costs. Therefore, the addition of the Agreement to the GREP 2 product should not cause the product's cost coverage to fall below 100 percent, assuming the product currently covers its attributable costs. Under this assumption, the addition of the Agreement should allow the GREP 2 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Moreover, the GREP 2 product should improve the likelihood that competitive products as whole contribute an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3). The Commission will have an opportunity to review the financial results for the Agreement in a future ACD Report for compliance with 39 U.S.C. 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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